

The Nebraska Greenbelt Advisory Committee

A Report to the Legislature and Property Tax Administrator

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PREFACE

Mission Statement
Nebraska Greenbelt Advisory Committee:

To monitor and evaluate the development and execution of greenbelt provisions across Nebraska's counties, and offer advice for reasonable policy concerning the differentiation of agricultural use valuation relative to other uses.

Under the authority granted to it through the enactment of Legislative Bill 1124 the Nebraska Greenbelt Advisory Committee met in 2007 to continue the discussion and offer rationale that will assist in the use of special valuation (greenbelt) by county assessors throughout Nebraska.

The committee is charged with developing recommendations for both the Legislature and Property Tax Administrator and as a result considered the following during its discussions:

- ❑ Not limiting the committee's focus to only special valuation and calling it a land advisory board, or making it part of a larger state task force on land use;
- ❑ Continue discussion on a definition for an agricultural or horticultural parcel;
- ❑ Develop an alternative method for establishing value as it pertains to agricultural or horticultural uses, and as a result determine primary use in terms of the "worth" of a property;
- ❑ Study closely what fiscal impact a change in a new method for valuation may have on local government.

The following report is a compilation of discussions held at the Holiday Inn in Kearney, Nebraska, September 17, 2007, as well as materials offered by various sources concerning the subject of agricultural valuations in general, and special valuation in particular.

The make-up of the committee is such that a widespread variety of perspectives were brought to the table for discussion. Advice and opinions were also sought and welcomed from Property Tax Administrator, Ruth Sorensen. Assistance was greatly appreciated as well from the Nebraska Department of Revenue Property Assessment Division staff, particularly Laz Flores who is the Committee Aide.

Summary

The business considered before the Greenbelt Advisory Committee (GBAC) in 2007 focused on a review of actions implemented as a result of advice offered in 2006, and what the GBAC's role continues to be in the area of special valuation of agricultural and horticultural land issues as it pertains to tax policy in general.

It has become apparent that this committee's usefulness as a "greenbelt advisory" body has evolved into a more generalized need and should not be limited to special valuation issues alone. Discussion during the meeting made it clear that special valuation is only part of larger circle of land use and tax policy questions.

To this end it is suggested that the committee no longer be called the Greenbelt Advisory Committee but either become the State Agricultural Land Advisory Committee, or become a task force that brings together various interests to discuss the impact of land use and how that influences tax policy.

Certainly the organizational structure of the GBAC since its inception engaged individuals representing many perspectives (notably professionals in local and state government, the private sector, and education), and this provides impetus for development of a larger "task force" if that would be the desire of the Legislature.

It also is a suggestion of the GBAC that any discussion points continue to include a definition of an *agricultural parcel*.

This change in dealing with a parcel definition was initiated in LB 407 in 2005, and was eventually amended into LB 808 in the 2006 session. Information offered by county officials from eastern Nebraska noted that parcels of any acre size in those counties are influenced so much by non-agricultural market factors, that "use" has become a fundamental issue apart from the application of greenbelt or special valuation.

Many of those counties (Douglas, Lancaster, and Sarpy for example) have for years placed non-agricultural market values on all land within their borders. These values are usually higher than those verified in a strictly agricultural market. Landowners must apply for special valuation status to obtain lower agricultural market valuations. That has created a

need to hit upon a test that may be helpful in determining what is agricultural use.

In practice during 2006-2007, there was mixed reaction among how the assessor applied the definition, and how county boards on appeals from landowners supported that application. It became apparent more work remains to be done.

Shaping the criteria of “use” as it relates to the definition of parcel has become problematic. What terms may work well in Lancaster County could be totally unsuitable to Cherry County. There are pitfalls in many directions. However, additional discussion before the committee this year continues to indicate that a locally developed definition remains a significant key to helping make the system responsive to property owners.

To that end, the GBAC is suggesting that while a definition of agricultural and horticultural use may have some sweeping similarities across the state, local factors should prevail over application of a generalized state-driven procedure. That is, keep the definition within the boundaries of each county line.

The GBAC discussion on this matter included consideration on the basis of size of the parcel, the owner’s background, the sale price, and the degree of what may be considered an agricultural use.

Agricultural and horticultural land, and likewise products raised on this type of land, was redefined in the new legislation that became operative in 2007. The term “*predominantly* used for” has now become “*primarily* used for” and the sense of how that applies within each county may be the starting point for any change in policy locally. For example, there has been at least one determination by the Tax Equalization and Review Commission that placing a few foraging animals on a parcel does not necessarily define that use as agricultural. The case in point involved two buffaloes.

This entire discussion eventually gave way to the subject of how to arrive at value or worth of a parcel in terms of its use. To that end the GBAC is suggesting that it may be sensible to look at alternative methods of establishing value instead of traditional market sales, or income streams.

The “worth” of a parcel may be more significant if one considers, for example, the dwelling contributes more value to the whole than the potential agricultural or horticultural production. It was mentioned that Nebraska is one of a handful of states that still looks mainly to market value as the major test for tax value.

This alternative method could be developed through discussion and ideas from whatever body evolves as an advisory group. It was suggested that some form of non-capitalized production potential index would be helpful.

Finally, the GBAC would urge any group that tackles this agricultural use issue to be especially aware of the fiscal impact for local government. Part of any study on establishing a specific method for arriving at valuation on agricultural or horticultural parcels needs to take into account how that will reflect on the property tax system which provides fiscal support to local political subdivisions.

Respectfully submitted on behalf of the committee,

John Phillip Moore
Assessor representative and chairman

Appendix

Minutes of Meetings

Materials listed here, are on file with the Property Assessment Division and available for inspection upon request at those offices in Lincoln, NE.